

## Message Text

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PAGE 01 HALIFA 00129 302105Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-02  
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04  
USIA-15 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10  
/114 W

-----302106Z 065334 /46

P 301945Z MAR 77

FM AMCONSUL HALIFAX

TO SECSTATE WASHDC PRIORITY 1586

INFO AMEMBASSY OTTAWA

UNCLAS HALIFAX 0129

E O 11652: N/A

TAGS: ENRG CA

SUBJECT: OFFSHORE OIL EXPLORATION IN ATLANTIC CANADA

REF: HALIFAX A-10

1. THE PENNY HAS DROPPED AND EASTCAN EXPLORATION LTD HAS ANNOUNCED, AS IT HAD EARLIER (REFAIR) THREATENED, THAT IT WILL NOT UNDERTAKE A DRILLING PROGRAM OFF LABRADOR THIS SUMMER. NFLD'S ENERGY MINISTER, BRIAN PECKFORD, STATES THAT THE PROVINCE IS NOT ALARMED BY THIS DEVELOPMENT (WHICH IS PROBABLY TRUE) AND THAT EASTCAN'S ANNOUNCEMENT WAS NOT "SOME SORT OF PRESSURE PLAY OR ECONOMIC BLACKMAIL" (WHICH IS PROBABLY JUST A WEE BIT DISINGENUOUS). HE SAID THE EASTCAN DECISION WAS MERELY THAT OF A PRUDENT INVESTOR WHO MARKS TIME UNTIL A BASIC UNCERTAINTY IS CLEARED UP.

2. THE "BASIC UNCERTAINTY", OF COURSE, IS THE DISPUTE BETWEEN THE GOC AND THE GOVT OF NFLD OVER WHICH OF THEM OWNS NFLD'S OFFSHORE SHELF. THERE IS NO REASON TO DOUBT THAT EASTCAN WOULD PREFER  
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TO OPERATE UNDER THE FEDERAL GOVT'S MORE LIBERAL DRILLING REGULATIONS THAN UNDER THE MORE RESTRICTIVE REGULATIONS BEING DRAFTED BY NFLD. AT THE SAME TIME, THE OIL EXPLORATION COMPANY CANNOT AFFORD OPENLY TO OFFEND OR TO DEFY NFLD BECAUSE THE PROVINCE MAY IN THE END BE FOUND BY THE SUPREME COURT OF CANADA TO BE THE LAWFUL OWNER OF ITS OFFSHORE SHELF.

3. FEDERAL ENERGY MINISTER ALASTAIR GILLESPIE HAS NOTED THAT EASTCAN'S DECISION MEANS THAT ROUGHLY HALF OF THE PLANNED OIL AND GAS EXPLORATION OFF CANADA'S EAST COAST WILL NOW NOT BE UNDERTAKEN THIS YEAR. MOREOVER, SINCE THE SUPREME COURT'S DECISION IS NOT EXPECTED UNTIL 1978, IT APPEARS THAT EASTCAN WILL PROBABLY LOSE TWO COMPLETE DRILLING SEASONS OFF LABRADOR. HE AGAIN URGED NFLF TO ACCEPT THE SAME 75/25 SPLIT ON OIL AND GAS THAT THE MARITIME PROVINCES ACCEPTED TWO MONTHS AGO. OTHERWISE, CANADA'S ANNOUNCED PLAN TO DOUBLE EXPLORATION AND DEVELOPMENT IN ITS FRONTIER REGIONS WOULD BE HINDERED AND ACHIEVEMENT OF ITS ENERGY STRATEGY WOULD BE A LOT MORE DIFFICULT.

4. TURNING TO ANOTHER CANADIAN EAST COAST OIL EXPLORATION VENTURE, SHELL AND PETRO CANADA HAVE HAD A FALLING-OUT OVER THE DIVISION OF POTENTIAL PROFITS AND HAVE ENDED THEIR JOINT DRILLING OFF NOVA SCOTIA. PETRO CAN HAS ANNOUNCED, HOWEVER, THAT IT STILL INTENDS TO GO AHEAD WITH ITS PLANNED DRILLING PROGRAM OFF NOVA SCOTIA THIS SUMMER IN CONJUNCTION WITH MOBIL OIL. MOORE

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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